MICHIGAN ECONOMIC UPDATE

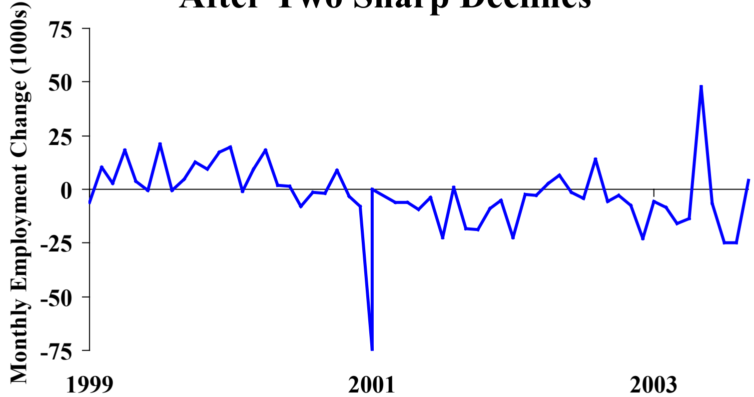
Office of Revenue and Tax Analysis
Michigan Department of Treasury
http://www.michigan.gov/treasury

September 2003 Summary

U.S. Economy: While mixed, September economic indicators continued to point to recovery. ISM indices signaled an expanding manufacturing sector for the third straight month and expanding services sector for the sixth consecutive month. The Federal Reserve's Beige Book reported improving conditions in most U.S. regions and industries. According to the Conference Board, CEO confidence rose sharply for the second straight quarter and leading economic indicators rose for the fourth straight month. Both industrial production and capacity utilization rose after having fallen slightly in August. Second quarter GDP growth was revised up to 3.3 percent. However, new durable goods orders in August gave up much of their July gains. September consumer sentiment fell slightly, as did retail sales. After its sharp decline, mortgage refinancing leveled off, but the housing market in general has remained strong. Remaining around 400,000, initial unemployment claims were little changed. Continued unemployment claims remained stubbornly high. The Beige Book reported that labor markets remained weak across the U.S.

Employment: Michigan payroll employment rose slightly, following two straight sharp monthly declines. The state's unemployment rate remained unchanged at 7.4 percent. Nationally, payroll employment rose by 57,000 jobs. The national unemployment rate remained unchanged at 6.1 percent.

Michigan Employment Rises Slightly After Two Sharp Declines [b,g]



Auto Industry: At 16.6 million units, light vehicle sales fell sharply from August's rapid pace but were up slightly from a year ago. Michigan's third quarter vehicle production fell sharply both from the second quarter and a year ago. Third quarter vehicle inventories were up 13.6 percent compared to a year ago.

Inflation: Compared to a year ago, overall consumer prices rose 2.3 percent; excluding food and energy prices, "core" consumer prices rose 1.2 percent. Overall producer prices were up 3.5 percent from a year ago but core producer prices were up only 0.1 percent. Compared to a year ago, third quarter oil prices were up 6.6 percent while natural gas producer prices were up 80.4 percent.

Michigan Metro Areas: From a year ago, the August unemployment rate rose in all twelve major labor areas. Eight of the state's nine MSAs reported rate increases of 1.0 percentage point or more. Seasonally unadjusted unemployment rates ranged between 4.0 percent and 9.6 percent.

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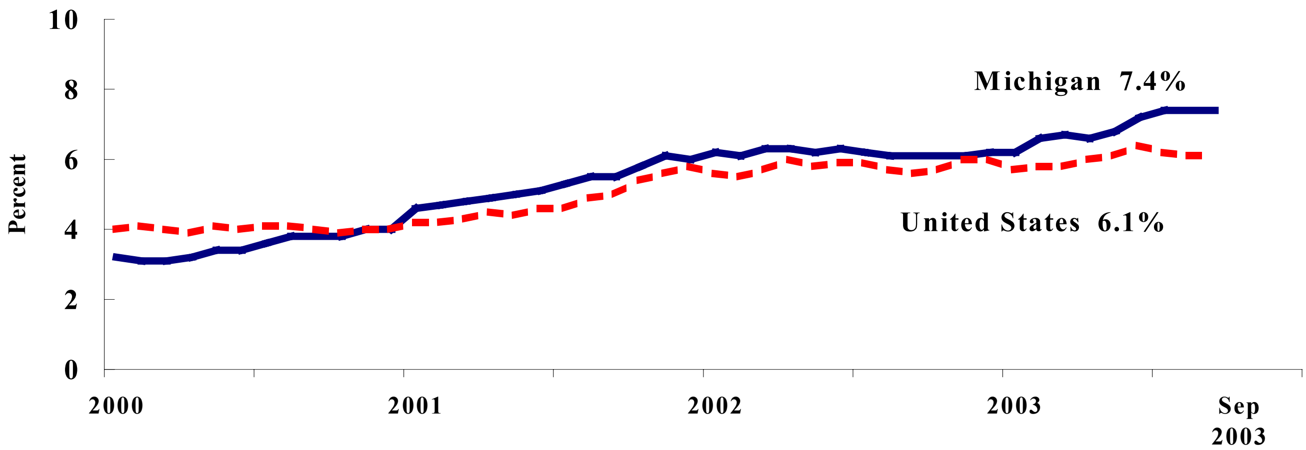
Labor Market Statistics

- Michigan's September monthly unemployment rate remained unchanged at 7.4 percent. The current Michigan jobless rate is 1.3 percentage points above a year ago. The September U.S. unemployment rate remained unchanged from last month to 6.1 percent and was 0.4 of a percentage point above a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates
2000 to 2003



Source: Michigan Dept. of Career Development and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,727,000 in September, up 1,000 from last month, while the labor force increased 2,000 in September. The statewide total number of unemployed rose to 379,000.

- United States household employment totaled 137.6 million persons in September, down 52,000 from August. The labor force increased by 15,000 from last month, which meant that there were 68,000 more unemployed people nationally compared to August 2003.

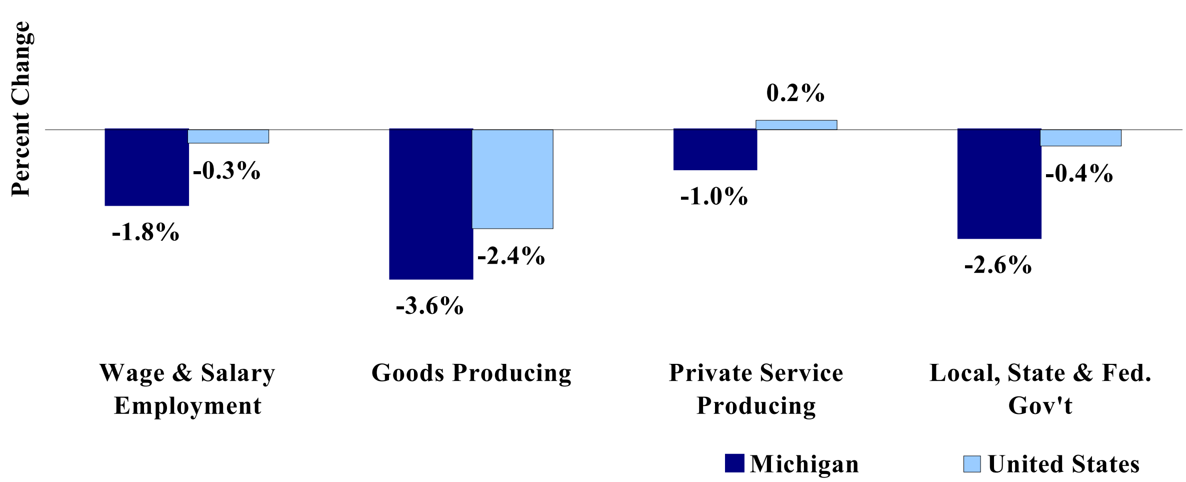
Employment by Place of Residence (in thousands)[(a)]

	2002 Average	Jul 2003	Aug 2003	Sep 2003	Change From Prior Month Level	Change From Prior Month %	Change From Last Year Level	Change From Last Year %
Michigan								
Labor Force	5,001	5,130	5,104	5,106	2	0.0%	n.a.	n.a.
Employed	4,691	4,753	4,726	4,727	1	0.0%	n.a.	n.a.
Unemployed	310	378	378	379	1	0.3%	n.a.	n.a.
Unemployment Rate	6.2%	7.4%	7.4%	7.4%	n.a.	0.0% pts	n.a.	1.3% pts
United States								
Labor Force	144,875	146,540	146,530	146,545	15	0.0%	n.a.	n.a.
Employed	136,486	137,478	137,625	137,573	-52	0.0%	n.a.	n.a.
Unemployed	8,389	9,062	8,905	8,973	68	0.8%	n.a.	n.a.
Unemployment Rate	5.8%	6.2%	6.1%	6.1%	n.a.	0.0% pts	n.a.	0.4% pts

Employment by Place of Work

- From September 2002 to September 2003, Michigan wage and salary employment declined 82,000 (1.8 percent). State wage and salary employment rose 3,000 from August. Nationally, September 2003 wage and salary employment fell 427,000 (0.3 percent) from a year ago, but was up 57,000 from August 2003.

Wage and Salary Employment Growth
September 2002 to September 2003



Source: Bureau of Labor Statistics, Michigan Dept. of Career Development

- In the goods producing sector and private service-producing sector, September employment fell 3.6 percent and 1.0 percent, respectively, from a year ago in Michigan. From a year ago, September national employment in the goods-producing sector fell 2.4 percent but rose 0.2 percent in the private service-producing sector.

- Manufacturing weekly hours fell in Michigan by 0.5 hours compared to last year.

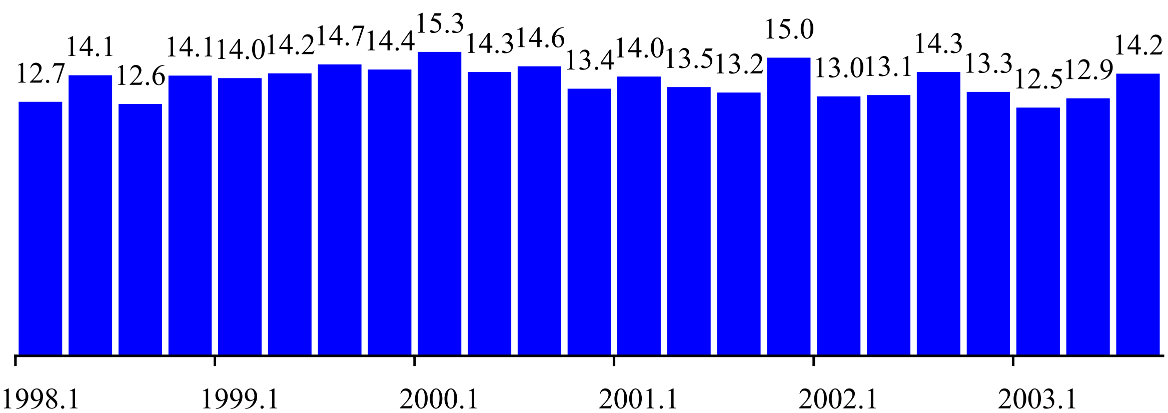
Establishment Employment (in thousands)[(b)]

	Michigan				United States			
	2002 Average	Sep 2002	Sep 2003	Percent Change	2002 Average	Sep 2002	Sep 2003	Percent Change
Wage & Salary Employment	4,476	4,485	4,403	-1.8%	130,376	130,289	129,862	-0.3%
Goods Producing	969	965	930	-3.6%	22,619	22,497	21,955	-2.4%
Manufacturing	759	756	722	-4.5%	15,306	15,196	14,556	-4.2%
Private Service Producing	2,824	2,833	2,806	-1.0%	86,267	86,266	86,466	0.2%
Trade, Trans. & Utilities	837	837	833	-0.5%	25,493	25,430	25,218	-0.8%
Services	1,696	1,705	1,680	-1.5%	49,511	49,602	49,999	0.8%
Local, State & Fed. Gov't	685	686	668	-2.6%	21,489	21,526	21,441	-0.4%
Manufacturing Weekly Hours	na	43.1	42.6	-0.5 hrs	40.5	40.5	40.4	-0.1 hrs

Motor Vehicle Industry Sales

- At 16.6 million units, light vehicle sales fell sharply from August's rapid pace. Overall, light vehicle sales declined 12.1 percent. Domestic sales fell 13.6 percent while foreign sales declined 5.4 percent. Automakers continue to offer generous buying incentives.
- Compared to a year ago, September light vehicle sales rose 2.2 percent. Auto sales fell 4.8 percent; light truck sales rose 8.9 percent. Third quarter sales rose sharply from the second quarter but were little changed from 2002 Q3.
- Year to date, light vehicle sales are down slightly with domestic sales down 2.1 percent and foreign sales up 1.5 percent. Car sales are down 5.8 percent through September. Domestic light truck sales are little changed while foreign light truck sales are up 17.1 percent.
- Third quarter light vehicle inventories are up 13.6 percent from a year ago.

Third Quarter Domestic Light Vehicle Sales Up Sharply from Last Quarter. Flat from Year Ago [c]



Motor Vehicle Sales Statistics

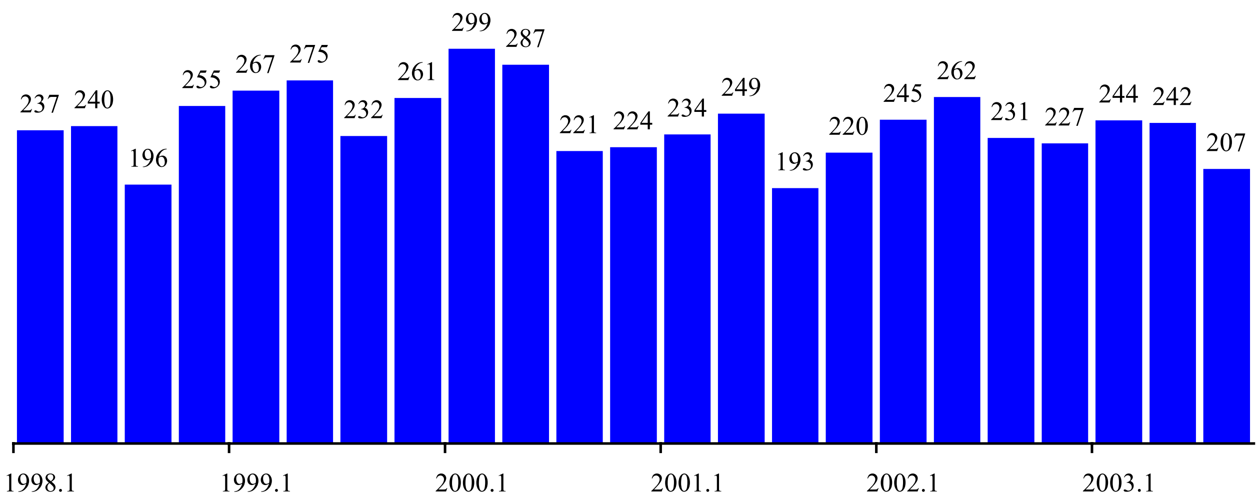
(Millions, unless otherwise specified)

Motor Vehicle Sales[c]	2002 Average	Jul 2003	Aug 2003	Sep 2003	3 Month Average	Change from Year Ago: Level	Change from Year Ago: %
Autos	8.1	7.8	8.2	7.5	7.9	(0.4)	-4.8%
Domestics	5.9	5.8	6.1	5.4	5.8	(0.1)	-2.1%
Imports	2.2	2.0	2.2	2.1	2.1	(0.3)	-11.1%
Import Share	27.6%	25.8%	26.1%	28.1%	26.7%	-2.0% pts	
Light Trucks	8.6	9.4	10.6	9.1	9.7	0.7	8.9%
Domestics	7.6	8.1	9.3	7.9	8.4	0.6	7.8%
Imports	1.1	1.3	1.4	1.2	1.3	0.2	17.1%
Import Share	12.3%	13.7%	12.7%	13.2%	13.2%	0.9% pts	
Total Light Vehicles	16.7	17.2	18.9	16.6	17.6	0.4	2.2%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	0.0	1.1%
Total Vehicles	17.1	17.6	19.3	17.0	18.0	0.4	2.2%
U.S. Light Vehicle Inventories [d]		**Jul-03**	**Aug-03**	**Sep-03**	**3 Month**	**Change**	
Total Car	1.479	1.428	1.326	1.371	1.375	0.036	
Days Supply	57	55	48	55	53	4 days	
Total Truck	1.769	2.009	1.894	1.992	1.965	0.313	
Days Supply	64	63	57	68	63	3 days	

Motor Vehicle Industry Production

- At 261,767 units, September Michigan light vehicle production rose 5.7 percent from a year ago, compared with a 5.5 percent increase nationally. From a month ago, both Michigan and U.S. production rose sharply (16.6 percent and 14.8 percent respectively).
- Compared with a year ago, state car production fell 2.2 percent while state truck production rose 16.7 percent. Nationally, car production rose 1.9 percent while truck production rose 7.8 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 10.3 percent from a year ago, compared with a 3.8 percent decline nationally. The state car production average was down 19.2 percent while the truck average rose 3.2 percent. Through the first nine months of the year, state vehicle production is down 6.0 percent while national production is down 2.7 percent.

Third Quarter Michigan Vehicle Production
Down from Last Quarter and Year Ago



Michigan Vehicle Production Statistics

(Thousands, unless otherwise specified)

U.S. Production [e]	2002 Average	Jul 2003	Aug 2003	Sep 2003	3 Month Average	Change from Year Ago: Level	Change from Year Ago: %
Autos	419.1	267.1	358.7	417.8	347.9	8.0	1.9%
Trucks	605.1	432.3	618.2	704.0	584.8	51.0	7.8%
Total	1,024.2	699.5	976.9	1,121.8	932.7	58.9	5.5%
Michigan Production [f]							
Autos	149.4	73.7	121.4	141.3	112.1	(3.2)	-2.2%
Trucks	91.7	62.4	103.1	120.4	95.3	17.2	16.7%
Total	241.0	136.1	224.5	261.8	207.5	14.1	5.7%
Michigan as % of U.S.	23.5%	19.5%	23.0%	23.3%	22.2%	0.0% pts	

August 2003 Unemployment Rate Rose in All Areas

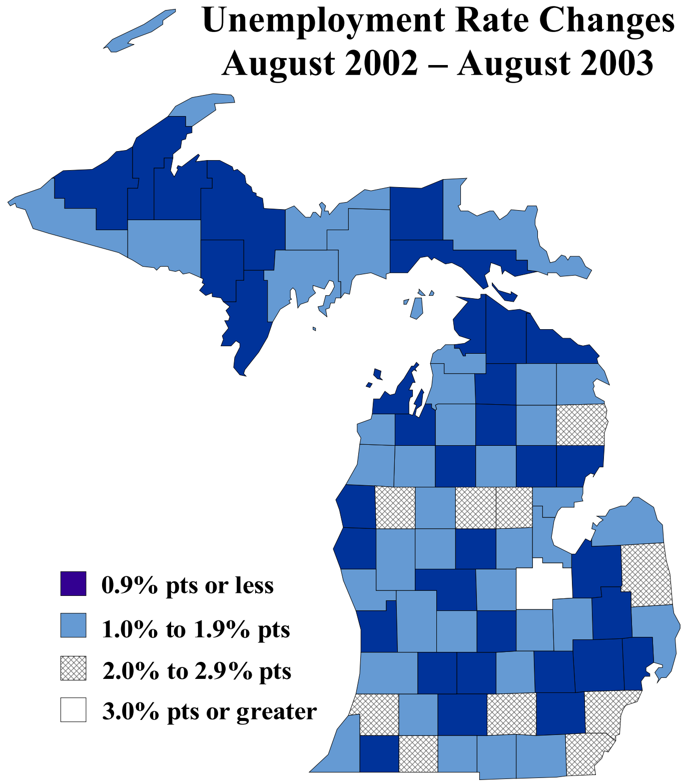
(Not Seasonally Adjusted)

Compared to a year ago, August 2003 unemployment rates rose in all twelve major labor market areas. The median unemployment rate increase was 1.3 percentage points. Eight of Michigan's nine MSAs reported unemployment rate increases of 1.0 percentage point or more.

The Jackson MSA and Saginaw MSA reported the largest increases from a year ago with 2.2 percentage points and 2.0 percentage points increases, respectively. Benton Harbor MSA reported the third largest increase from a year ago with a 1.6 percentage points increase.

August 2003 unemployment rates ranged between 4.0 percent (Ann Arbor) and 9.6 percent (Flint). Two areas reported an unemployment rate below 5.0 percent: Ann Arbor and Lansing. Compared to July's unemployment rates, all areas reported unemployment rate declines.

Unemployment Rate Changes August 2002 – August 2003



Local Area Unemployment Rates(g)

Local Area	Aug 2002 Rate	Aug 2003 Rate	Latest 3 Month Average
Michigan	5.6%	6.9%	7.4%
Ann Arbor MSA	3.3%	4.0%	4.3%
Benton Harbor MSA	5.6%	7.2%	7.6%
Detroit PMSA	5.8%	7.1%	7.7%
Flint MSA	8.1%	9.6%	10.4%
GR-Musk-Holl MSA	6.0%	7.4%	8.0%
Jackson MSA	5.9%	7.9%	8.2%
Kal-Battle Creek MSA	5.1%	6.4%	6.7%
Lansing MSA	3.5%	4.6%	5.0%
Sag-Bay-Midland MSA	5.7%	7.9%	8.3%
Upper Peninsula	5.4%	6.0%	6.7%
Northeast Lower Mich	6.6%	7.5%	8.2%
Northwest Lower Mich.	5.2%	6.3%	6.9%

Source: Michigan Department of Career Development.

Compared to August 2002, unemployment rates rose in 81 counties and fell in two counties. Forty-nine counties reported increases of 1.0 percentage point or more.

Among Michigan's 83 counties, 4 counties reported an August unemployment rate of 10.0 percent or higher. Twelve counties recorded an unemployment rate of 5.0 percent or less.

Note: Due to major methodological changes beginning in January 2003, household employment and unemployment data are not comparable to earlier months.

Michigan Consensus Conference Economic Forecast
U.S. Economy Strengthens; Michigan Economy Reports Modest Growth

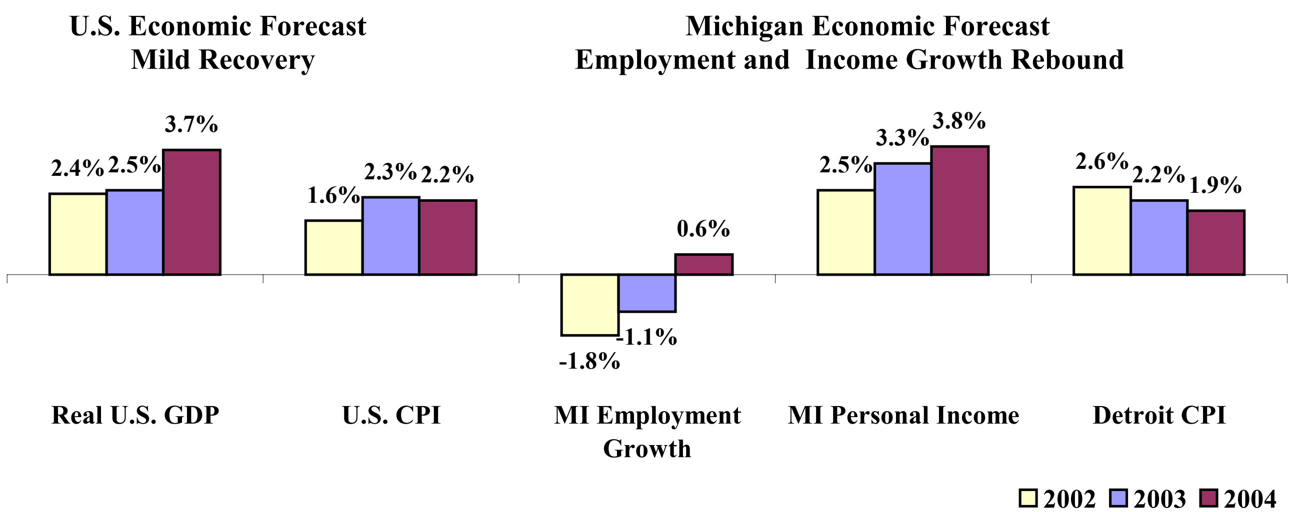
At the special Consensus Revenue Estimating Conference held October 14, 2003, the Michigan Department of Treasury, House Fiscal Agency (HFA) and Senate Fiscal Agency (SFA) agreed on economic and revenue forecasts for FY 2002-2003 and FY 2003-2004. The October 2003 Executive Summary is posted on the Michigan Department of Treasury's Web site at: http://www.michigan.gov/treasury.

- Real gross domestic product (GDP) is forecast to grow at a 3.6 percent rate over the second half of 2003 and then accelerate slightly with growth rates of around 4.0 percent each quarter of 2004. GDP growth is forecast to average 2.5 percent in 2003 and 3.7 percent in 2004.

- Light vehicle sales are expected to be 16.5 million units in 2003 and 16.6 million units in 2004, compared with 16.7 million units in 2002.

- Michigan wage and salary employment is forecast to be flat in the last quarter of 2004 and then to post modest gains each quarter of 2004. In each of the first three quarters, employment is forecast to grow by about 15,000 jobs before rising 21,000 in the fourth quarter of 2004.

- Personal income is forecast to rise 3.3 percent in 2003 and 3.8 percent in 2004. On a year over year basis, Michigan wage and salary growth is forecast to accelerate gradually but remain modest with year-over-year growth rising from 2.2 percent to 3.7 percent. In the first half of 2004, disposable income is forecast to grow at slightly over 5.0 percent, on a year over year basis, and then moderate in the second half of 2004.



Source: October 14, 2003 Consensus Revenue Estimating Conference

U.S. Economic Conditions

	Jun-03	Jul-03	Aug-03	Sep-03	Change from Year Ago
KEY ECONOMIC INDICATORS					
Consumer Sentiment (h)	89.7	90.9	89.3	87.7	1.6 points
ISM Manufacturing Index (i)	49.8	51.8	54.7	53.7	3.0 points
ISM Non Manufacturing Index (i)	60.6	65.1	65.1	63.3	7.9 points

	2002.4	2003.1	2003.2	2003.3	
Business Executives' Confidence (j)	58.0	53.0	60.0	67.0	13.0 points

INFLATION (k) 1982-84 = 100	Jun-03	Jul-03	Aug-03	Sep-03	Change from Year Ago
U.S. Consumer Price Index	183.7	183.9	184.6	185.2	2.3%
Detroit CPI	182.8	NA	183.6	NA	1.5%
U.S. Producer Price Index	143.1	143.0	143.5	143.9	3.5%
INTEREST RATES					
90 Day T-Bill (l)	0.95%	0.90%	0.96%	0.95%	-0.68% points
Aaa Corporate Bonds (m)	4.97%	5.49%	5.88%	5.72%	-0.43% points
INDUSTRIAL PRODUCTION (m)	109.4	110.2	110.2	110.6	-0.6%
CAPACITY UTILIZATION (m)	74.1%	74.6%	74.5%	74.7%	-1.3% points
RETAIL SALES (n)	$313.1	$317.5	$321.2	$320.6	7.5%

HOUSING STARTS and SALES (Millions Annual Rate)	May-03	Jun-03	Jul-03	Aug-03	% Change From Year Ago
Housing Starts (o)	1.745	1.844	1.890	1.826	12.0%
Existing Home Sales (p)	5.850	5.830	6.130	6.470	21.8%
DURABLE GOODS ORDERS (q)	$168.0	$172.2	$175.1	$173.3	-1.9%

PERSONAL INCOME (c) (Billions of Dollars)	2002.2	2002.3	2002.4	2003.1	% Change From Year Ago
Michigan	$304.9	$306.7	$307.4	$309.7	4.7%
U.S.	$8,881.7	$8,927.6	$8,982.8	$9,066.7	3.4%

GROSS DOMESTIC PRODUCT (Billions of Chained 1996 Dollars) (c)	2002.3	2002.4	2003.1	2003.2	Annualized % Chg From Last Qtr
	$9,485.6	$9,518.2	$9,552.0	$9,629.4	3.3%

SOURCES AND NOTES:

[a] Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Career Development, Employment Service Agency.

[b] Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).

[c] Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.

[d] Ward's Automotive Reports.

[e] Automotive News.

[f] Michigan Department of Treasury.

[g] Michigan Department of Career Development, Employment Service Agency.

[h] University of Michigan Survey of Consumers.

[i] Institute for Supply Management (ISM), formerly NAPM.

[j] The Conference Board.

[k] Bureau of Labor Statistics, U.S. Department of Labor.

[l] U.S. Department of Treasury. Average of weekly averages.

[m] Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.

[n] Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.

[o] Bureau of the Census, U.S. Department of Commerce.

[p] National Association of Realtors.

[q] New Orders Excluding Semiconductors. Bureau of the Census, U.S. Department of Commerce.